

# SENATE BILL REPORT

## SB 6498

---

As of January 25, 1996

**Title:** An act relating to sales and use tax exemptions for manufacturing machinery and equipment in distressed areas.

**Brief Description:** Providing sales and use tax exemptions for manufacturing machinery and equipment in distressed areas.

**Sponsors:** Senators Quigley, McAuliffe and Rasmussen.

**Brief History:**

**Committee Activity:** Ways & Means: 1/24/96.

---

### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Terry Wilson (786-7433)

**Background:** The sales tax is imposed on each retail sale of most articles of tangible personal property and certain services. Taxable services include construction, repair, telephone, lodging of less than 30 days, physical fitness, and some recreation and amusement services.

Sales of new and replacement machinery and equipment used directly in a manufacturing operation, including installation labor and services, are exempt from sales and use taxes. A manufacturing operation is the manufacturing of articles, substances, or commodities for sale as tangible personal property. The manufacturing operation begins at the point where the raw materials enter the manufacturing site and ends at the point where the finished product leaves the manufacturing site.

**Summary of Bill:** In the case of the manufacturing of building trusses in a town with a population of less than 1,200 persons that is a timber impact area in those counties that are not distressed areas, the manufacturing operation ends at the point where the finished product is delivered to the building site.

A timber impact area is an area with high lumber and wood products unemployment, and a distressed area is an area where the average level of unemployment for the previous three years exceeds the statewide average level of unemployment for those years by 20 percent.

The act applies to manufacturing machinery and equipment acquired after June 30, 1995.

**Appropriation:** None.

**Fiscal Note:** Requested on January 16, 1996.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** Boom trucks and trailers are an integral part of the manufacturing operation for building trusses. There is no way to get trusses onto the roof of a building without these trucks.

**Testimony Against:** None.

**Testified:** Matthew M. Johnson, Allan O. Johnson, John L. Maise, Darrington Truss Co. (pro).